

GOVERNOR'S BUDGET EXECUTION POLICIES  
FISCAL YEAR 2001

1. **Scope and Applicability.** The Governor's Budget Execution Policies and Instructions shall apply to all means of financing appropriated and authorized by Act 91/99, the General Appropriations Act, as amended by Act 281/00, as well as other specific appropriations authorized for expenditure in FY 01 by the 2000 Legislature, or other legislative session.

Expenditures authorized for the capital investment cost category shall be subject to applicable policies specifically identified herein, and to specific procedures in **Executive Memorandum (E.M.) No. 97-07**, "Procedures for Requesting the Implementation of Capital Improvement Projects" (dated June 19, 1997), as amended by **E.M. No. 99-01** (dated February 5, 1999), and other applicable provisions, guidelines, and general statutes.

2. **General Statement of Policies.** State agencies shall implement appropriation acts dealing with operations of State government in conformance with the purpose of such acts, and shall carry out such purposes efficiently, economically, and with due respect to the financial condition of the State, and all applicable laws.
  - a. Departments shall plan program operations and expenditures for the fiscal year at levels necessary to accomplish program goals within allocation ceilings approved for the department, pursuant to Part II of Chapter 37, HRS.

Total expenditures and total positions designated for each program in each fiscal year shall not exceed the sums and number appropriated or authorized, and allocated by me, except as otherwise provided by law.
  - b. Expenditure plans shall be developed within allocated amounts consistent with legislative direction and executive priorities. These plans shall be prepared and submitted to the Department of Budget and Finance (B&F), according to **Attachment B**.

For all means of financing, a departmental vacancy list identifying all authorized positions vacant as of September 30, 2000, must be submitted with expenditure plans.

- c. Program reports of affected activities, attainments, and expenditures corresponding to proposed allocations by allotment periods shall be submitted according to **Attachment B**.
- d. FY 01 departmental Requests for Allotments (Form A-19) shall reflect quarterly allocations for the full year, by program I.D., and Means of Funding, as described in **Attachment B**, except as otherwise provided.
- e. Special fund expenditure plans shall include estimates of transfers to the general fund as required by Sections 36-27 (Assessments for Central Services Expenses) and 36-30, HRS (Assessments for Departmental Administrative Expenses), or as otherwise provided by law. Such assessments should be within authorized appropriations and treated as first charges against the respective funds. Transfers shall be made to the general fund on a quarterly basis.
- f. As appropriate, every effort shall be made to utilize authorized federal and other non-general revenue resources to provide services which meet similar objectives of programs for which State funds are authorized.

All agencies receiving federal funds for operational purposes shall review such operations for possible changes in anticipated federal or other grants. It is not to be assumed that State funds will replace any reduction in federal or other grant funds; nor should it be assumed that State funds will be increased to qualify for increases in available federal matching funds. Program need and statewide priority must be demonstrated.

- g. Efforts to conserve energy are emphasized. Consumption levels shall be monitored by managers to ensure that energy usage is appropriate and necessary. E.M. No. 96-01 Fiscal and Energy

Management), and E.M. No. 00-02 (Energy Conservation), provide further direction and guidance.

- h. The implementation of program budgets shall be consistent with the overall theme, goals, objectives and policies of the priority guidelines contained within applicable approved functional plans, and as contained within Chapter 226, HRS.
3. Allocations. Exhibit 1 contains your department's FY 01 allocation and position ceilings.
4. Oversight and control shall be executed in accordance with Part II of Chapter 37, HRS; Section 37-74, HRS; and other applicable legislation and statutes.
5. Manpower Control. Only authorized budgeted positions may be considered for establishment and filling (regardless of the means of financing), unless otherwise provided by law or unless applicable to the "exceptions" below.

"Authorized budgeted Positions" are positions that have been authorized and funded in the General Appropriations Act, Supplemental Appropriations Act, or in other specific legislation still in effect. Such positions would be shown on a program's appropriate BJ-1, BJ-1A, or BT tables, or as referenced in specific legislation. Authorized positions should be within the same position classification series and of the same means of financing, as shown in the budget BJ details.

- a. Position Allocation Ceilings. The number of authorized full-time equivalent (FTE) positions which may be established and filled by each department shall not exceed the total number allocated (for general funds and all other means of financing) to each respective department.
- b. Establishment and Filling of Positions.
  - b.1 The following actions are delegated to individual department heads.
    - Authority to fill authorized, budgeted vacant positions (newly-authorized or currently existing).

- Authority to establish and fill new temporary positions authorized by the Legislature, and/or extend currently budgeted temporary positions.
- Authority to establish and fill civil service positions created by general law, which are not reflected in Act 91/99, as amended by Act 281/00.
- Authority to establish and fill federal, trust-funded, or other-funded positions in programs where the conditions of funding or enabling legislation allow or require the filling of positions in excess of designated position ceilings.

Positions requiring general or special funds to match all or any part of its funding shall be subject to my approval.

- Hiring of authorized University of Hawaii (UH), Department of Education (DOE), and Hawaii Health System Corporation personnel.
- Filling of vacancies mandated by the "Felix," Hawaii State Hospital, and "Spear" (Correctional Facilities only) consent decrees.
- Prior exemptions specifically granted by me (i.e., TAX collectors, CPS workers, Income Maintenance workers, Deputy Attorneys General, CSEA positions, Oahu R&M positions, Parole Officers, HYCF positions).
- Filling of authorized exempt positions under Section 76-16, HRS, (except for exemptions pursuant to Sections 76-16(2), (3), (12), (15), HRS).

b.2 The creation and/or extension of authorized positions exempt from civil service shall be subject to the review and approval of DHRD.

- b.3 Requests for positions from the Governor's position pool pursuant to Section 138 of Act 91/99, as amended by Act 281/00, shall be submitted to me for my approval.
- c. Program positions should be of the same position classification series identified in BJ details of the approved budget. Any variance from such authorization must be supportable by appropriate justification or legislative authorization, and must be consistent with policies in Administrative Directive No. 90-13 (February 5, 1990), and as provided herein.
  - c.1 Department heads are delegated the authority to change a position's classification series (position variance) where the cost difference is no more than 20% above the authorized budgeted amount.
  - c.2 Requests to change a position's classification series where the cost difference exceeds 20% of the authorized budgeted amount shall require my prior approval.
  - c.3 Other specific or general legislated authorizations to implement position variances as provided by Act 91/99, as amended by Act 281/00, by general statute, or any other Act of the Legislature, shall be submitted to me for review in the manner prescribed above, to ensure compliance with legislative intent.
- d. Other General Provisions
  - d.1 Each department shall provide for the most efficient and economical use of manpower.
  - d.2 Departments shall limit and monitor the use of overtime for each month. Monthly program reports shall be made available to B&F, upon request.
  - d.3 All positions and/or personnel-related costs shall be funded within currently approved departmental allocations.

- d.4 Reporting requirement: Quarterly vacant position status reports shall be submitted to B&F.
6. Funds Subject to Allotments. All means of financing appropriated or authorized by the Legislature for FY 01 shall be subject to the allotment process as provided by Section 37-33, HRS. Unencumbered allotment balances at the end of each allotment quarter shall revert to the related appropriation account, except for DOE and UH pursuant to general law; and except as otherwise provided by law; or pursuant to Section 37-40, HRS, or by procedures specified in Attachment B with respect to trust funds.
7. Deficiency Spending Prohibited. There shall be no expenditure of funds in excess of amounts appropriated and allotted, nor shall agencies establish positions in excess of numbers authorized and allotted, unless otherwise provided by specific legislation.
8. Lapsing of Funds. Operating funds appropriated for FY 01 not expended or encumbered as of June 30, 2001, shall lapse on that date, except as provided for DOE, or as otherwise provided by law.
9. Transfer of Positions and/or Funds.
- a. Unless otherwise provided, **Section 135** of Act 91/99, as amended by Act 281/00, authorizes, with my approval, the transfer of same means of funding, between operating appropriations within an expending agency for operating purposes.
- Other provisos in Act 91/99, as amended by Act 281/00, authorize transfers under certain conditions. To the extent possible, anticipated transfers should be identified in full-year expenditure plans and A-19s.
- a.1 All requests for transfer authorization shall be routed to me through B&F, for approval.
- a.2 All requests for transfer shall include appropriate references to authorizing sections or statutes.

- a.3 See "Allotment balances/Transfer of funds" for other allotment limitations.
  - a.4 Specific transfer authority and responsibilities have been delegated to the UH and DOE pursuant to provisions of general law.
  - b. **Section 136** allows the transfer of positions within a department or agency; provided that total position ceiling allocations are not exceeded, there is no change in the authorized means of financing of the position count, and such transfers do not conflict with, or circumvent the intent of other laws.
  - c. All requests for transfer authorization shall be routed to me through B&F, for approval.
  - d. Any requests for transfer shall include appropriate references to authorizing sections or statutes.
  - e. See "Allotment balances/Transfer of funds" for other allotment limitations.
  - f. Specific transfer authority and responsibilities have been delegated to the UH pursuant to general law.
10. Delegation by Department Heads. As permitted by applicable general laws, department heads may delegate authority to approve expenditures covered by this memo, which have been deemed to be within the director's authority, to **one** appropriate designated deputy, officer or manager in the director's respective department. The Comptroller of the Department of Accounting and General Services (DAGS) must be notified of such delegation in writing.
- Delegation for procurement authority shall be in accordance with Chapter 103D, HRS, and subchapter 3 of Chapter 3-121, Hawaii Administrative Rules.
11. Contracts
- a. All contractual funding agreements are contingent on the availability of funds. Departments should exercise caution in negotiating contracts with funding obligations that extend beyond the fiscal year.

- b. Procurement of all approved goods or services shall comply with applicable provisions of Chapters 103D or 103F, HRS; guidelines and directives issued by the Department of the Attorney General (AG) and DAGS, as applicable; and any other pertinent requirements of statute, regulation, rule, order, or other directive.
- c. Financing Agreements
  - c.1 Financing agreements subject to Chapter 37D, HRS (either CIP or operating, regardless of cost), and not yet executed, must obtain the prior approval of the Director of Finance and the AG, before implementation. UH shall comply with provisions of Act 31/99.
  - c.2 The sale, assignment, refinancing, or other disposition of any lease subject to Chapter 37D, HRS (including certificates of participation), shall require the prior approval of the Director of Finance.
  - c.3 Financing agreements shall be subject to provisions of E.M. No. 96-17, Implementation of Act 119, SLH 1996, Relating to Municipal Leases, dated November 15, 1996, except as otherwise provided.
- d. Consultant/Personal Services (All MOF) shall be transmitted to me through B&F and the AG, for my prior approval.

Exceptions: Authority is delegated to department heads to make the following expenditures, unless applicable to "financing agreements" in item 11c above:

- Initial requests for consultant or personal services where total projected costs will be not more than \$25,000.
- The request is not an amendment to any previous or existing contract.
- The request is not for an extension to a contract which has already expired.
- Medical services contracts.



- Legal services contracts approved by the AG.
  - Personal services contracts for expert witnesses for the AG.
  - Engineering and architectural services for Repair and Maintenance projects funded as operating costs.
- e. Audit contracts shall be subject to DAGS' procedures, under Comptroller's Circular No. 1994-02, and do not require my prior approval, except when departments elect to delegate such functions to DAGS under conditions of Section 146 of Act 91/99, as amended by Act 281/00.
- f. Design consultants are subject to the provisions of Chapter 103D, Hawaii Revised Statutes.
- g. Engineering, architectural and other consultant/personal services contracts related to CIP implementation shall be subject to my review via the regular A-15 allotment approval process.
- h. Hawaiian Home Lands employee contracts exceeding six years pursuant to Section 202(b), HRS, shall be submitted directly to me for approval.
- i. Extension of contracts still in effect. Requests to extend contracts which have expired are not permitted. Departments intending to extend current contracts must obtain authorization to do so before the contract expires. Departments must enter into a new contract if a contract has expired before an extension authorization has been granted.
- Departments anticipating contract extensions should submit such requests not less than one month before the contract's expiration date.
- j. Reports shall be made available to B&F, upon request.
- k. UH and DOE shall be exempt from these provisions except for sections a, b, c, and i above, as applicable.
12. Travel. The following procedures and guidelines shall apply:

- a. Out-of-State
  - a.1 Approval for cabinet travel is delegated to department heads.
  - a.2 Approval for all other requests, regardless of the means of financing, is delegated to department heads, within parameters of available funding, program necessity, and other applicable statewide travel policies.
- b. Intra-State

Approval for all intra-state travel is delegated to department heads, within parameters of available funding, program necessity, and other applicable statewide travel policies.
- c. Departments shall continue to comply with DAGS travel rules and procedures.
- d. Reports of all travel shall be made available to B&F, upon request.

13. Federal Funds. All departments receiving federal funds for operations and capital improvements should not assume that State funds will replace the loss of any federal-aid money, nor should it be assumed that State funding will be increased to qualify for increases in available federal matching funds.

- a. Requests to apply for and expend non-appropriated federal funds, and requests to expend federal funds in excess of appropriations, shall require my prior approval pursuant to requirements described in A.D. No. 96-04, "Non-General Funds - Requests to Apply for Funds, Expend Funds, or Increase Authorized Levels of Expenditure."

Reporting Requirement. Act 281/00, Section 148.1 requires each department to submit reports of federal funds received subsequent to the convening of the 2000 Legislature. Department reports are due to the Legislature within ten days of receipt, with copies to B&F (1) and my office (1).

- b. Federal Fund Deposits. All federal funds received by departments shall be deposited into the State

Treasury, unless otherwise provided by federal funding conditions; or specifically exempted from this provision by competent authority acknowledged by the Director of Finance.

- c. Recovery of Indirect Costs and Fringe Benefits from Federal Grants and Contracts. State agencies administering federal grants and contracts shall pursue the recovery of indirect costs and fringe benefit costs. Federal payment of indirect costs shall be deposited into the general fund. Source code 0579 and the department's alpha code should be used.

14. Special and Revolving Fund Receipts/Expenditures.

- a. All Special and Revolving funds must have been authorized and appropriated by law in order to be expended.
- b. Authorized and appropriated special and revolving funds can only be expended up to levels available in such funds.
- c. Special and revolving fund expenditures in Act 91/99, as amended by Act 281/00, are limited to amounts appropriated therein, except for UH, or as otherwise provided by law.
- d. Appropriated revolving funds authorized by general law to expend in excess of appropriated amounts are directed to comply with requirements of A.D. 96-04 first.

15. Trust Funds.

- a. Pursuant to Section 37-40, HRS, expenditures of trust funds are permitted up to levels of available receipts, except as otherwise provided by law, or except as limited by conditions of the trust agreement or fund.

Section 37-33, HRS, allows the Director of Finance, as required, to prescribe regulations for controlling expenditures and encumbrances of funds which have not been appropriated on a regular basis.

- b. Trust funds appropriated in Act 91/99, as amended by Act 281/00, which an agency seeks to expend in excess of authorized appropriation levels, must comply with reporting requirements described in A.D. No. 96-04, "Non-General Funds - Requests to Apply for Funds, Expend Funds, or Increase Authorized Levels of Expenditure."
16. Reimbursements from Federal or Other Funds. Pursuant to Section 144 of Act 91/99, as amended by Act 281/00, all federal or other fund reimbursements shall be deposited into the general fund or the appropriate fund account that provided the original advance funding, except as otherwise provided by law. Expenditure of reimbursements without legislative or statutory authorization or appropriation may be considered to be in violation of Sections 37-31 and 37-42, HRS.
- Pursuant to Section 148.1 of Act 281/00, federal fund reimbursements must be reported to the Legislature under certain conditions. See item 13.a (Federal Funds) of this attachment.
17. Gifts or Private Contributions to Programs. Where specific special, trust, revolving or private funds have not been established for such purposes, agencies shall be responsible for demonstrating that such authority is consistent with applicable statutes and appropriate expenditure provisions of the State Constitution, and must receive my approval prior to the receipt and expenditure of such contribution or gift.
18. Information Systems Technology (IT) and Telecommunication (TC) Services, Facilities and Resources. All IT and TC services, facilities, and resources are functions of the Information and Communication Services Division (ICSD) of DAGS, under the authority of the Comptroller.
- a. DAGS shall have general supervision and control over the acquisition and utilization of IT and TC facilities and resources within the Executive Branch and may grant exemptions from Administrative Directive No. 1977-02 (A.D. 77-2), as amended, and Administrative Directive No. 1987-01 (A.D. 87-01), as amended.

Note: A.D. 77-02 was amended by E.M. No. 1993-11 (delegation of IT and TC personnel actions), dated

December 14, 1992, and E.M. No. 1994-08 (delegation of certain computer hardware and software acquisitions), dated August 31, 1994, and was clarified by Director of Finance memorandum dated October 18, 1994. A.D. 87-01 was clarified by Director of Finance memo dated February 1, 1993 (Department of Education) and August 31, 1994 (cellular and pager equipment).

- b. Applicable statutory provisions, such as Chapters 103D, 76 and 77, HRS, are still to be observed by departments and agencies.
- c. All IT and TC related consulting services and all other IT and TC related services must obtain A.D. 77-2 or A.D. 87-01 approval from the Comptroller.

Only IT or TC related consulting service requests that have been approved and/or cleared by the Comptroller shall be submitted to me through B&F for my approval, in accordance with item 11 as provided herein.

Note: The required review and approval by the Comptroller pursuant to A.D. 77-2 or A.D. 87-01, shall be conducted and completed by the ICS Division. The ICS Division requires at least two work weeks advance time to complete its review and recommendation.

- d. Departments or agencies contemplating acquisition of any IT or TC facility, service, hardware or software must plan the acquisition project as required by DIPIRM Plans and as required by AD 77-2 or AD 87-1 instructions. The review and approval process of the ICS Division for the Comptroller requires specific reference to DIPIRM Plans, which address criteria for the technical review of such requests.
- e. Ongoing IT services, such as hardware or software maintenance, should be considered as operational expenses and shall not require A.D. 77-02 or A.D. 87-01 approval, but shall comply with applicable provisions provided herein.
- f. Other IT or TC products or services that are not operational expenses and are not included within

A.D. 77-02 or A.D. 87-01 policy and procedures, shall require prior approval by the Comptroller to assure compliance with the State's strategic direction for IT/TC, as are all acquisitions of IT/TC items.

19. Lease/Rental of Office Space. Section 171-30, HRS, provides DAGS with the responsibility for any lease, rental, or other acquisitions of privately-owned office space for use by State departments or agencies. Departments shall submit all requests to the Comptroller for approval under procedures established by DAGS, and pursuant to Comptroller Memo No. 1994-28, "Office Space Leases in Non-State-Owned Buildings." All requests for office space must be submitted with current organization charts, and other appropriate staffing documentation to justify additional space requirements.
20. Risk Management and Insurance Program. Except for UH, Comptroller Memo No. 89-6 (dated February 15, 1989) provides guidelines and shall govern departmental procedures with respect to the operations and implementation of a comprehensive State risk management and insurance program.

Effective July 1, 2000 (FY 01), Comptroller's Memo No. 1999-28 (dated September 23, 1999), provides that individual agencies shall be responsible for funding costs of risk management benefits received under Chapter 41D, HRS. Departmental budgets for FY 01 include funding for estimated allocable risk management costs, regardless of means of funding. Pursuant to procedures described by Comptroller's Memo No. 1999-28 and Section 147.1 of Act 281/00, agencies are reminded to transfer funds budgeted for risk management costs to AGS 203 (Risk Management) for administration and implementation.

21. Procurement of Goods, Services, or Construction.
  - a. Hawaii Public Procurement Code. Except for UH, all departments and agencies delegated the authority to purchase by the Chief Procurement Officer shall be in compliance with Chapter 103D, HRS, and its applicable rules in Chapters 3-120 to 3-132, Hawaii Administrative Rules (HAR); and Chapter 103F, HRS, and its applicable rules in Chapters 3-140 to 3-149, HAR, as issued by the Procurement Policy Board.

- b. Price and Vendor Lists. All departments and agencies, except UH and DOE, are required to purchase their requirements for goods and services from State Procurement Office (SPO) issued price and vendor lists. The UH and DOE may enter into a cooperative agreement to procure from SPO price and vendor lists.
- c. Equipment. "Equipment" is tangible property of a more or less permanent nature (other than land or buildings and improvements thereon) which is used in an operation or activity. Examples are machinery, tools, furniture and furnishing, and certain vehicles such as farm tractors, mowing machines, and plows required for the performance of program tasks. For budget purposes, "equipment" **excludes** general-use motor vehicles such as trucks, cars, and buses, which are covered under "motor vehicles."
  - c.1 "Parceling," as defined by Section 103D-305, HRS, is strictly prohibited.
  - c.2 Department heads are delegated the authority to purchase equipment other than computer-related purchases, subject to DAGS/ICSD policies.
  - c.3 Requests to purchase equipment under A.D. 77-02 or A.D. 87-01 (relating to IT and TC Services, Facilities and Resources) shall: 1) obtain preliminary approval from the ICS Division of DAGS; then 2) submitted to me for my approval.
- d. Motor Vehicles. For budget purposes, "motor vehicles" include "passenger cars," "pickup trucks," "sports wagons," "vans," "buses," or any self-propelled vehicles designed for carrying or transporting passengers and/or property, and generally drawn upon a road or highway.

Heads of purchasing agencies are delegated authority to procure motor vehicles, pursuant to Chapter 103D, HRS, subject to the following:

- d.1 All passenger vehicles, leased or purchased, new or used, shall require Comptroller's approval. Review for approval shall consider vehicle type, size, and availability from DAGS Automotive Management Division (**DAGS-AMD**) motor pools.

- d.2 Passenger vehicles shall conform to the standard specifications and criteria issued by DAGS-AMD. Exceptions to the standards shall require Comptroller's review and approval.
- d.3 Specifications for other than passenger vehicles, including exceptions to the DAGS-AMD standards, shall be the responsibility of the individual purchasing agency.
- d.4 Used motor vehicles require the approval of the head of the purchasing agency and, for passenger vehicles only, the approval of the Comptroller as provided above.
- d.5 Used motor vehicles acquired from the SPO Surplus Property program are not subject to Chapter 103D, HRS, but shall comply with d.4 provisions above.

22. Allotment of Funds to Private Agencies.

- a. Appropriations for grant, subsidy, or purchase of service agreements shall be subject to the allotment system generally applicable to all appropriations made by the Legislature.
- b. Expenditure of appropriations for subsidies and grants shall require my prior approval. All grant/subsidy funds shall be initially reported in column 10 of Form A-19 at the start of the fiscal year. With my approval, an amended A-19 shall be submitted to reallocate approved grant/subsidy funding from column 10 to the appropriate quarter.
- c. Funds shall not be allotted where it has been determined that private agencies have not complied with qualifying provisions and procedures of Chapters 9, 42F, 103D, or 103F, HRS, as applicable.

23. Request for Allotment of Funds.

- a. Within departmental fund allocations, department heads will be allowed to implement **legislatively-authorized** new programs or to improve existing services authorized under Part II of Act 91/99, as amended by Act 281/00, and other specific appropriation acts, or which are consistent



with program budgeting guidelines and objectives pursuant to Section 37-74, HRS. Any such implementation must be consistent with total reductions identified by departments for FY 00.

Appropriations used for the initiation of **authorized** new programs or for the improvement of existing services or which are consistent with Section 37-74, HRS, will be reflected in the operational expenditure plan, where these items shall be separately identified in the narrative portion of the expenditure plan. All authorized new programs, or improvement to existing programs planned for implementation by the agency, must be within allocation ceilings, and supported by appropriate evaluations or justifications.

Program appropriations authorized under Part II, and not planned for implementation in the fiscal year, will be reflected in the restricted column on both the operational expenditure plan and Request for Allotment (Form A-19). (See Attachment B for guidelines and procedures.)

- b. Initial full-year program operational expenditure plans and A-19s (Request for Allotment) should show accounts by "10" (payroll) and "20" (others), which must coincide with updated BJ details of Act 91/99, as amended by Act 281/00, or with provisions of the authorizing specific appropriation, as applicable.
24. Allotment Balances/Transfer of Funds. Request for Allotment (Form A-19) and Request for Transfer of Funds (Form A-21) will be used as appropriate, for adjustments of program allotment accounts. As applicable, agency requests for the transfer of funds must be accompanied by a written justification to me stating the nature and reasons for the transfer, including its legal basis; and shall be subject to my approval. Unless otherwise provided, section 135 of Act 91/99, as amended by Act 281/00, limits such transfers to operating funds between appropriations with the same means of financing within an expending agency.
- a. Anticipated A-21 transfers shall be identified in initial full-year expenditure plans.

- b. This section shall apply to all programs and all means of financing, except for DOE and UH programs.
25. Transfer of Vacation Credits. Pursuant to Section 79-5, HRS, transfer of funds representing accumulated vacation credits shall be made only when an employee is transferred between government jurisdictions or between positions which are financed by different funds (means of funding). Transfer of vacation funds shall not be made if the transferred employee's salary is to be paid from the same fund. Vacation transfer funds are considered to be realizations to the general fund or the respective non-general fund.
26. CIP expenditures. In general, departments are directed to consult guidelines and instructions in E.M. No. 97-07, "Procedures for Requesting the Implementation of Capital Improvement Projects," as amended by E.M. No. 99-01, for departmental CIP expenditures. Additionally, the following guidelines shall apply:
- a. Except as specifically authorized by legislative proviso, means of financing authorized for Capital Improvement Projects described in **Section 64** of Act 91/99, as amended by Act 281/00, may not be changed or substituted by other means of financing or by funding appropriated for other cost categories, without legislative amendment, or as otherwise provided by law.
  - b. General Obligation (G.O.) bond- or general-funded capital improvement projects described in Section 64 of Act 91/99, as amended by Act 281/00, and requiring supplemental funding, shall utilize funds transferred pursuant to the provisions of Section 119 **before** requesting supplemental allotments from available project adjustment funds as provided by Section 121.
  - c. **Departments with CIP appropriations must submit a CIP expenditure plan listing all projects currently authorized.** The projects are to be grouped by:
    - 1) projects that will require allotments in FY 01 and
    - 2) projects that will not require allotments in FY 01.The expenditure plan shall serve as the basis for approving requests for allotments, contracts, etc.

Any existing report format that contains the required information may be submitted; otherwise, the sample format (**Attachment C**) should be used.

The expenditure plan shall be submitted to B&F no later than July 31, 2000.

- d. Expenditure plans for CIP projects funded by special funds, G.O. with debt service costs to be paid from special funds, revenue bond funds, or revolving funds, shall include projected six year financial plans for the respective fund responsible for cash or debt payments.
- e. All allotments submitted for my approval shall be consistent with the departmental "expenditure plan."
- f. CIP Allotment Procedures. The following shall be observed for requests to allot funds.
  - f.1 Projects authorized in Act 91/99, as amended by Act 281/00, or any prior Act which were Executive Budget requests shall be submitted directly to me for my approval. Approved copies of the request and allotment advice shall be submitted to B&F. A copy of the approved allotment advice (with Governor's facsimile stamp) shall be submitted to DAGS, Uniform Accounting and Reporting Branch (UARB).
  - f.2 Projects not originally included as an Executive Budget request, and requests to use the Governor's Project Adjustment Fund (PAF) pursuant to Section 121, shall be submitted to me for my approval, through B&F.
  - f.3 Allotment advice numbers shall be requested from DAGS-UARB. Requests for three or more numbers must be done via fax. The allotment advice number and the anticipated date of Governor's approval shall be typed on the allotment advice prior to submitting the request.
  - f.4 New appropriation symbols for new cost elements, delegation, or Project Adjustment Fund requests shall be requested from DAGS-UARB in writing.

The appropriation symbols shall be typed on the allotment advice prior to submitting the request.

- g. Grants. The following procedures shall apply to all CIP appropriations to private organizations:
  - g.1 Expenditure of appropriations require my prior approval.
  - g.2 The expending agency shall enter into a contract with the private organization as required by Chapter 42F, HRS. The contract shall provide that the State be reimbursed a pro rata share of the facility costs (monetary or pro rata share of the facility) should the private organization cease to satisfy the specified public purpose.
  - g.3 The executed contract must be submitted to DAGS' Preaudit Branch and will be used to encumber allotted funds.
  - g.4 The private organization should request payment through the expending agency as work progresses on the project.
  - g.5 State funds will be disbursed to the private organization by DAGS on receipt of summary warrant vouchers from expending agencies, with supporting documentation of work completed.
  - g.6 The expending agency shall monitor compliance with Chapter 42F, HRS, and the public purpose and legislative intent of the grant.
- h. Reporting Requirements.
  - h.1 Projects delegated from other expending agencies. The receiving department shall submit a list to B&F detailing all delegated projects as of December 31 and June 30 for each fiscal year.
  - h.2 Supplemental allotments for authorized appropriations using special, revenue bond or revolving funds. Departments shall submit a list to B&F detailing all supplemental allotments as of November 30 of each year.

- h.3 Reduction in scope of project. Departments shall submit a list to B&F detailing all projects that have been reduced in scope as of November 30 of each year.

Each list shall be submitted within one week after the close of each period and shall include:

1) project title; 2) appropriation act, year, and item number; 3) amount and means of financing; 4) Allotment Advice number and date (as applicable); and 5) original expending agency (for delegations).

- i. All funding for capital improvement projects described in Section 64 of Act 91/99, as amended by Act 281/00, unencumbered and/or unexpended as of June 30, 2002, shall lapse as of that date, except for: a) non-general funded authorizations which are denoted as necessary to qualify for federal aid financing and reimbursement, and which have been so designated by the Legislature; and b) State educational facilities improvement (SEFI) funded projects requiring more than three years for implementation.

- j. Private Activity Bonds (PAB).

Private entities funded by G.O. and/or G.O.R. bond funds must meet appropriate Internal Revenue Code (IRC) requirements to preserve the tax-exempt status of interest on such bonds. Expending agencies responsible for such authorizations shall ensure that such requirements have been met.

Form PAB must be completed for every project funded by G.O. and G.O.R. bonds listed in your expenditure plan, and are to be submitted with your department's CIP expenditure plan.

27. Operating Program and Expenditure Reports. Copies of departmental quarterly or monthly financial and program reports prepared for internal use by the department shall be made available to B&F, upon request.

Quarterly reports for the DOE and UH shall be submitted as provided by general law.

28. Other Administrative Reporting Requirements.

- a. Programs that have revenues from federal sources that are affected by the Federal Balanced Budget Reconciliation Act of 1978 and other Federal FY 01 appropriations shall report such changes in the quarterly updates of Program Revenue Details.
  - b. Quarterly statewide personnel vacancy reports (by MOF) shall continue to be submitted and shall contain personnel information as of the last day of the previous month just completed, including the status of project-funded positions.
  - c. Departments affected by the voluntary severance and special retirement incentive benefits in Part V (Separation Incentives) of Act 253/00 (Relating to Public Employment), shall comply with reporting requirements described in Section 119 of that measure. Specific procedures for implementation instructions shall be issued at a later date.
  - d. Program and departmental responses to provisos in Act 91/99, as amended by Act 281/00, requiring the development, performance, completion, or reporting of studies, reports, findings, evaluations, updates and plans, to the Legislature or appropriate authority shall follow procedures outlined in the Executive Memo entitled, "Legislation - Guidelines and Procedures."
29. **Submission Requirements.** Requests for allotment and expenditure plans must be submitted to B&F and approved before any expenditure of funds can be made.

Full-year (four quarters) A-19s and expenditure plans for operating expenditures, shall be submitted by July 31, 2000.